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MANAGING URBANIZATION AND DEVELOPMENT IN CHINA DURING CRISIS

Principal Investigator: Jeremy Wallace, Department of Political Science

Why has the Chinese Community Party held power for the last six decades while the Soviet Union and most other communist states have collapsed? Jeremy Wallace tackles this question by examining how one socio-economic factor — urbanization — affects autocratic survival.

Scholars affiliated with the Chinese Community Party have argued that the Chinese government fears "Latin Americanization," marked by the development of highly unequal megacities and the crime, slums, and social instability that comes with them. For this reason, in 2002 China abolished agricultural taxes and began subsidizing rural areas.

China is an anomaly in this regard, as most developing nations favor cities as a way to reduce the threat of urban unrest. Wallace argues that such urban favoritism is self-defeating in the long run because in leads to further urbanization, increasing the number of malcontents who might threaten the regime. By funneling money to rural areas, China has reduced this long-term risk.

The recent global financial crisis provides an excellent test of Wallace's arguments. The Chinese government responded to the economic crisis in two ways: by approving a \$600 billion stimulus package, and by managing urban-rural migration through its *hukou* system of household registration.

As orders for Chinese goods plummeted, factories in cities along the East coast were forced to shut down. Collective ownership of land in the countryside provided a "social security system of last resort," allowing 20 million unemployed workers to return to rural villages.

In addition, stimulus funds were used not to prop up failing export factories, but to support a variety of sectors including transportation and energy infrastructure, and rural social services such as water, electricity, health care and education.

By maintaining rural areas as a viable option, Wallace argues, China was able to dissipate discontent in a time of crisis. He plans to further test his hypothesis by examining the geographic distribution of stimulus spending, and by correlating size and unemployment rates of cities with their enforcement of the *hukou* system.

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